

Message Text

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ACTION EUR-25

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TAGS: EGEN, OECD

SUBJ: OECD INVESTMENT STUDY

REF: (A) USOECD 18666

(B) CE/M(73)19

1. SUMMARY. RESPONSIBLE SECRETARIAT OFFICIAL PUTS EMPHASIS ON GUIDELINES AND CONSULTATION PROCEDURES ON INVESTMENT, RATHER THAN FURTHER ANALYSES OF ISSUES, IN RESPONSE TO XCSS JULY REQUEST. EXPECTS SEC GEN TO CALL MEETING OF EXPERTS IN OCTOBER. WOULD MAKE PROGRESS REPORT TO XCSS IN NOVEMBER. PROPOSALS REGARDING OTHER OECD WORK ON INVESTMENT AND MNC'S LIKELY IN SEPTEMBER. NO DATE NOW FORESEEN FOR NOTE ON MACRO-ECONOMIC ASPECTS. ACTION REQUESTED: WASHINGTON COMMENTS. END SUMMARY.

2. IN ITS DECISION REPRODUCED IN REF (B) (AND IN SLIGHTLY DIFFERENT FORM IN PARA 6 OF REF (A)). EXECUTIVE COMMITTEE IN SPECIAL SESSION (CXSS) AT ITS JULY 5-6 MEETING ASKED SEC GEN TO PREPARE (A) A NOTE ON LONG-TERM CAPITAL MOVEMENTS ASPECTS OF INVESTMENT, (B) LIMITED OFFICIAL USE

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ANALYSES AND PROPOSALS FOR GUIDELINES AND CONSULTATION

PROCEDURES ON INVESTMENT AND MNC'S, AND (C) PROPOSALS, FOR SUBMISSION TO THE COUNCIL, CONCERNING WORK ELSEWHERE IN OECD ON INVESTMENT AND MNC'S.

3. ASSISTANCE SECRETARY GENERAL ABRAMOWSKI, WHO IS CHARGED WITH COORDINATING SECRETARIAT ACTIVITIES CONNECTED WITH XCSS, HAS GIVEN US HIS PERSONAL VIEWS ON FOLLOW-UP TO THESE DECISIONS. ABRAMOWSKI STRESSED THIS HIS THINKING IS PRELIMINARY AND HAS NOT BEEN ENDORSED BY SEC GEN.

4. ABRAMOWSKI IS FOCUSING PARTICULARLY ON PROPOSALS FOR GUIDELINES AND CONSULTATIONS PROCEDURES (2B, ABOVE). HE DOES NOT NOW INTEND TO HIGHLIGHT MNC'S IN THIS CONTEXT BUT RATHER TO TREAT THEM AS SUBSUMED WITHIN INVESTMENT ISSUES. WHILE RECOGNIZING THAT EC (HIJZEN) HAD EMPHASIZED IMPORTANCE OF FIRST STUDYING ISSUES DESCRIBED IN PARAS 7A, B AND C OF DOCUMENT CE(73)10, ABRAMOWSKI BELIEVES APPROPRIATE STEP FOR SECRETARIAT AT THIS POINT IS TO ASSIST IN DISCUSSION OF ISSUES BY PRODUCING A SET OF SUGGESTED GUIDELINES. ABRAMOWSKI BELIEVES COLLECTING DATA WOULD INVOLVE CONSIDERABLE DELAY WITH UNCERTAIN RESULTS.

5. ABRAMOWSKI NOTED THAT CATEGORY OF ISSUES IN 7C OF CE(73)10 WAS RATHER GRUDGINGLY ACCEPTED BY SOME GOVERNMENTS. WE POINTED OUT THAT THE REFERENCE TO 7C IN DECISION WAS EXPLICIT AND THAT AREA WAS OF TO INTEREST TO USG. HE RECOGNIZED THIS FACT AND ACCEPTED THAT EMPHASIS WOULD HAVE TO BE PLACED ON POLICY MEASURES THAT DISTORT TRADE, BUT HE REMAINS UNCERTAIN AS TO HOW TO APPROACH PROBLEM OF DETERMINING WHAT POLICIES WOULD BE ACCEPTABLE OR NO ACCEPTABLE.

6. ABRAMOWSKI HAS PICKED UP UNDER SECRETARY CASEY'S SUGGESTION THAT EEC TREATY (HE MENTIONED ARTICLE 92) PROVIDES POSSIBLE APPROACH, ALTHOUGH HE RECOGNIZES CIRCUMSTANCES ARE DIFFERENT. HE INDICATED HE WAS CONSIDERING POSSIBILITY OF SETTING MAXIMUM ACCEPTABLE AID LEVELS, BUT HE AGREED THAT A STRAIGHT LIMITATION LIMITED OFFICIAL USE

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OF AIDES TO INVESTMENT WOULD BE TOO CRUDE AS A MEASURE OF TRADE-DISTORTING EFFECTS. ABRAMOWSKI REMAINED DOUBTFUL OF POSSIBILITY OF MEASURING TRADE EFFECT THROUGH ANALYSIS.

7. IN ADDITION TO (A) TRADE IMPACTS, ABRAMOWSKI IS LOOKING AT PROGRAM IN TERMS OF (B) TAXATION POLICY AND (C) THE OECD CODES. HE SEES DANGER IN PROPOSING AMEND-

MENT OF CODES, IN THAT OUTCOME MIGHT BE WEAKENING OF OBLIGATIONS, SO HE IS THINKING OF SUPPLEMENTARY GUIDELINES STEMMING FROM THE CODES THAT MIGHT BE MORE COMPREHENSIVE. AS EXAMPLE, HE SUGGESTED ADMISSIBLE EXCEPTIONS TO NATIONAL TREATMENT PRINCIPLE SHOULD BE SPELLED OUT IN GUIDELINES.

8. ABRAMOWSKI FEELS THAT GUIDELINES SHOULD BE FARLY CONCRETE TO PROVIDE ADEQUATE BASIS FOR CONSULTATIONS ON SPECIFIC PROBLEMS ENVISAGED IN XCSS DECISION. HE ASKED WHETHER WE FELT CONSULTATIONS SHOULD TAKE PLACE IN XCSS OR TRADITIONAL BODY OF OECD OR ON AN AD HOC BASIS. WE SUGGESTED SEC GEN SHOULD CALL AD HOC CONSULTATION MEETINGS ON REQUEST AND FOLLOW INFORMAL CONTACTS TO DETERMINE WHAT COUNTRIES WERE SUFFICIENTLY INTERESTED IN A SPECIFIC CASE TO WARRANT INVITATION. ABRAMOWSKI FORESEES POSSIBILITY OF BUILDING UP BODY OF CASE EXPERIENCES THAT WOULD REPRESENT OECD CONSENSUS ON INVESTMENT ISSUES AS INDIVIDUAL CONSULTATIONS RESOLVE SPECIFIC PROBLEMS, BUT HE RECOGNIZED THAT SUCH A DEVELOPMENT WOULD DEPEND ON A STRUCTURE FOR CONSULTATIONS THAT WOULD ENCOURAGE THE USE OF THE PROCEDURE.

9. CONCERNING SCHEDULE FOR PREPARING SEC GEN'S PROPOSALS, ABRAMOWSKI HOPES TO HAVE PAPER ON GUIDELINES READY IN SEPTEMBER. HE WOULD LIKE TO KEEP SIZE OF EXPERTS GROUP LIMITED BUT HE IS CONCERNED THAT ALL COUNTRIES MAY WISH TO PARTICIPATE. WE POINTED OUT THAT SELECTION OF EXPERTS WAS UP TO SEC GEN, OF COURSE IN CONSULTATION WITH KEY GOVERNMENTS, AND THAT SIZE OF GROUP WAS THEREFORE LARGELY UNDER HIS CONTROL. ABRAMOWSKI DOUBTED THAT MORE THAN A PROGRESS REPORT COULD BE LIMITED OFFICIAL USE

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MADE TO XCSS AT NOVEMBER 8-9 SESSION.

10. FOLLOWING SUBMISSION OF GUIDELINE PROPOSALS BY SEC GEN, ABRAMOWSKI WOULD PREFER IN GENERAL THAT THEIR CONSIDERATION TAKE PLACE IN XCSS CONTEXT RATHER THAN IN EXISTING OECD COMMITTEES SO AS TO PROVIDE BROADER OUTLOOK.

11. CONCERNING OTHER OECD ACTIVITIES ON MULTINATIONAL CORPORATIONS (PARA 2C, ABOVE), ABRAMOWSKI FORESAW PROPOSAL BY SEC GEN TO COUNCIL BY END OF SEPTEMBER. ON THIRD ASSIGNMENT GIVEN TO SECRETARIAT, THAT OF IMPACT OF CAPITAL INVESTMENTS (PARA 2A, ABOVE), ABRAMOWSKI WAS UNCERTAIN WHEN PAPER MIGHT BE PREPARED, HE NOTED ECONOMIC AND STATISTICS DIVISION HAS ITS HAND FULL

WITH OTHER ACTIVITIES FOR TIME BEING.

12. AT CLOSE OF CONVERSATION, ABRAMOWSKI AGAIN STRESSED UNOFFICIAL NATURE OF VIEWS HE HAD EXPRESSED AND INDICATED HE WOULD BE PLEASED TO HAVE FURTHER US VIEWS.
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